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CLASSIFIED BY: Marc Nordberg, Political/Economic Chief; REASON:
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11. (C) SUMMARY: Thank you for coming to Tallinn. Estonia is strongly supportive of USG policies, joining us in Afghanistan and in other missions abroad to buttress their own security, but also as a result of Estonians very real commitment to democracy. Fear of Russian aggression and/or manipulation colors the average Estonian outlook of the future, and results in widespread reliance on NATO and an almost mystical faith in Article 5 of the Washington Treaty to keep Estonia free. The U.S. is viewed as the strongest underpinning of NATO, and therefore, of Estonians security. While the recent push from Washington to reiterate U.S. support for central/eastern Europe, including Vice President Biden's visit to central Europe, has had a positive impact publicly here, we recommend a robust push during your visit not only to reinforce our commitment to our partnership with Estonia, but also to highlight our expectations on the Estonian side. For your visit, Estonia will be focused mostly on NATO security issues, Afghanistan and the economy. Your Estonian interlocutors support a new Strategic Concept for NATO, but are even more interested in tangible signs that NATO has a plan for Baltic security. We recommend you address their concerns as much as possible, but we also recommend you remind the Estonians that as a NATO ally they bear responsibility for helping to build and sustain NATO consensus on such an important issue. The Estonians will welcome an update on missile defense plans. On the economy, we expect the GOE will stress to you that Estonia is managing its economy, and will argue against lumping the Baltic States together as a single entity in any analysis. They have a point: Estonia has lent Latvia \$100 million to help bolster the Latvian economy, and is so far on track to meet the Maastricht Criteria to join the Euro Zone in January 2011.

12. (SBU) During your first official visit to Tallinn, you will meet with the Prime Minister's economic advisor for an overview of the Estonian economy, energy issues, and opportunities for cooperation with the United States (the Prime Minister and his foreign policy advisor will be hosting the Belgian PM and future EU president, the day of your visit). MFA Under Secretary Harri Tiido, who is double-hatted as Ambassador to Afghanistan, will discuss Afghanistan, Estonian bilateral assistance, and security issues. Tiido will have spent most of the day at a Nordic/Baltic/UK policy conference on Afghanistan, so he will be able to share regional thinking on the President's new Afghanistan policy. You will then meet with several top MPs: Chair of the European Affairs Committee (and Russia expert) Marko Mihkelson, National Defense Committee Chairman Mati Raidma, and head of the U.S. Estonia group Keit Pentus. The 2010 budget, as well as overseas military deployments (including Afghanistan), will go for

a vote the day of your visit, but these MPs have committed to meet with you. Lastly, you will have dinner with several members of the International Center for Defense Studies, Estoniabs leading think tank, to discuss security issues and USG engagement in the region.
END SUMMARY.

Strong Contributor to International Peace and Security

13. (C) A country of only 1.3 million people, Estonia punches well above its weight in promoting international security. The GOE sees joint security operations as a way of gaining valuable experience from (and scoring points with) the United States, but its participation also stems from a sense of obligation to western nations and NATO after Estonia regained its freedom from the USSR. Estonia currently has nine percent of its land forces deployed abroad (all of which operate without any caveats), perhaps the highest level in NATO. For five months this year, Estoniabs deployment percentage approached 14 percent, when Estonia provided an additional company for election security in Afghanistan. Estonia maintains 140 troops in Helmand and is currently considering sending additional contributions. Estonia had a platoon embedded with U.S. counter-insurgency forces in Iraq from 2003-2009, but had to remove them after failing to negotiate a new SOFA with Iraq. Instead, a small number of staff officers remain

with NTM-I. Estonia also has a platoon in Kosovo, and officers in Bosnia and Lebanon. There have been six KIA in Afghanistan and two in Iraq.

14. (SBU) The GOE matches its military contribution with civilian assistance, although the economic crisis has forced Estonia to cut its foreign assistance from EEK 60 million [USD 5.5 million] in 2008 to EEK 40 million [USD 3.7 million] this year. Estonia focuses the majority of its assistance on four countries, Afghanistan, Georgia, Ukraine and Moldova, but has also trained Iraqi diplomats and provided relief to Pakistani refugees, among other projects. As on the military side, the GOE is very interested in finding ways to work with the U.S. on civilian assistance projects.

NATO/Article 5: Back in Area or out of Business

15. (C) Ever since the 2008 war in Georgia showed that Russia was willing to send its military across international borders, Estonia has been concerned that NATO lacks detailed defense planning for the Baltics. You should expect your GOE and think tank interlocutors to express their belief that NATO should plan for every Article 5 eventuality, including the defense of the Baltics. While the GOE is an active proponent of contingency planning, it also believes that all discussions of contingency planning should remain private, within the NATO family. As one subset of this issue, Estonia is pleased that Baltic Air Policing has been extended to 2014 (NATO members provide four fighters on a rotating basis, flying out of Lithuania), but is looking for additional evidence of Article 5 bteeth,b such as military exercises. Recent U.S. ship and other military visits have been very warmly received. The 800-pound Bear in the Room

¶6. (C) Still scarred by more than 50 years of Soviet occupation, in which up to 20 percent of the Estonian population was killed or forcibly deported, Estonians remain fixated on the Russian threat. For Estonia, that threat has a particular internal dynamic. Approximately 30 percent of Estonia's population is Russian-speaking. Of this group, 25 percent are Russian citizens and 27 percent remain stateless (the rest are Estonian citizens). The GOE has programs to integrate the Russian population and to teach Estonian in all schools. Progress is slow, and the north-east of the country, as well as large parts of Tallinn, remain Russian-speaking. Relations between ethnic Estonians and Russian speakers are generally good, but boiled over in spring 2007 when the GOE relocated a Soviet-era (Bronze Soldier) statue from the city center. Ethnic Estonians saw the statue as a reminder of Soviet occupation, but ethnic Russians saw the relocation as an insult to Soviet troops who died liberating Estonia. While these riots have not been repeated and the GOE has made some additional efforts to integrate its Russian-speaking population, Estonians and Russian speakers do not commonly mix. Russian speakers are not politically active and as Estonian language skills are required for government jobs, feelings of disenfranchisement can be strong in Russian-speaking areas.

¶7. (C) State-to-state relations between Moscow and Tallinn are correct but cold. Ministerial-level contacts are few and formalized, though working-level contacts (especially between groups like the Border Guards) are ongoing and substantive. In regional and international fora, however, Estonia often finds itself the focus of Russian charges of fascism, which dilutes the possibility that international relations will improve in the near term.

State of the Nation: Minority Coalition, Sinking Economy

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¶8. (SBU) In May of this year, the ruling coalition fell apart after disputes over the budget and unemployment compensation, resulting in the current minority government. The center-right coalition holds 50 of 101 seats in parliament, but appears stable. The government maintains a proactive, pro-western foreign policy and a liberal, pro-business economic agenda.

¶9. (SBU) After stellar GDP growth for much of this decade, averaging seven percent annually, Estonia's export-led economy has taken a sharp hit. GDP will fall 14 percent this year before bottoming out in 2010. Unemployment is approaching 20 percent. Despite these figures, Estonia is still faring better than the other Baltics (and you can expect your interlocutors to point this out). Unlike Latvia, for instance, Estonia ran annual budget surpluses during the growth years and resisted raising social transfer payments. Estonia's better fiscal situation allowed the GOE to lend Latvia \$100 million as part of the EU bailout.

¶10. (SBU) The GOE's main policy goal is to join the Euro Zone in 2011. Estonia's currency, the kroon, has been pegged to the Euro since inception in 1992. Because of efforts to meet the Maastricht Criteria, Estonia lacks fiscal and monetary means of dealing with the economic crisis. To qualify for the euro, in FY09 the GOE cut an equivalent of 7.1 percent of GDP from the budget. Among other measures, all government employees have taken an eight percent salary cut and many have been laid off. To ensure the FY10 budget does not exceed the Maastricht limit of three percent deficit, the GOE is raising taxes and further cutting spending. Parliament will vote on the budget during your visit, but it is expected to pass readily. Such austerity measures have not resulted in general dissatisfaction and the populace remains supportive of adopting the

Euro.

Cyber Security: Estonia Leads the Way

¶11. (C) While we do not expect cyber security to be a major focus of your visit, cyber security does constitute a major piece of Estonians international agenda. Concurrent with the Bronze Soldier riots in 2007 were massive Denial of Service attacks against Estonians internet architecture. In response, Estonia stepped up development of its Cyber Defense Center, which NATO accredited as a Center of Excellence in 2008. In November 2007 the U.S. became the first country to send a representative to the center. The USG currently has one naval civilian at the center. Secretary of Defense Gates visited the center in November 2008 and recommended the U.S. become a "Sponsoring Nation." DoD is currently reviewing this sponsorship. The Center has completed some interesting strategic analyses on such topics as the status of cyber attacks under international law and cyber defense under Article 5.

USG Engagement in the Region

¶12. (C) Influential Estonians, although NOT Government of Estonia officials, joined with other central/eastern European leaders to send an Open Letter to the Obama Administration last July signaling their concern at a perceived loss of engagement by the U.S. in

central/eastern Europe. One of the signatories, Kadri Liik, has been invited to dinner, which will give you a good opportunity both to hear Estonian concerns first-hand and refute them. It will also give you a chance to set the record straight on issues like Missile Defense. For instance, Estonians intellectually know that the September 17 announcement of the Phased Adaptive Approach for Missile Defense was driven by the changing threat from Iran. Emotionally, however, they fear it was a concession to Russia, at the expense of U.S. relations with Poland and the Czech Republic. You should be prepared to provide an update on USG Missile Defense plans, and to describe USG plans to demonstrate its ties to the region.

¶13. (U) Again, thank you for coming!
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